

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HJR 436

May 19, 2009

SUMMARY OF BILL: Urges and encourages the State Insurance Committee to reconsider its action and rescind the proposed surcharge imposed on active and retired members of the State Group Insurance Program who use tobacco.

ESTIMATED FISCAL IMPACT:

**Forgone State Revenue - \$5,017,000/FY09-10
\$10,645,100/FY10-11 and Subsequent Years**

Forgone Local Revenue - Exceeds \$1,000,000

Other Fiscal Impact - According to the Department of Finance and Administration, an individual who uses tobacco products can incur greater health care costs than individuals who do not use tobacco products. It is estimated that the increased benefits and incentives provided by the State Insurance Committee to assist individuals to stop using tobacco products will result in a decrease in the amount of health care costs for these individuals in future years. The amount of savings in future years is dependent on several variables and is not quantifiable.

Assumptions:

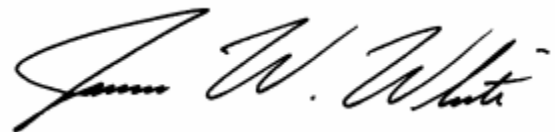
- A \$50 per month surcharge for any enrollee in the State Employee, Local Government, and Local Education Health Plans who uses tobacco will become effective January 1, 2010.
- The Department of Finance and Administration anticipates the surcharge will result in approximately \$3,584,880 in revenue from state plan enrollees and \$1,432,080 from local education plan enrollees in FY09-10. In FY10-11 and subsequent years, the Department anticipates revenue of \$7,714,208 from state plan enrollees and \$2,930,920 in local education plan enrollees.
- The state will forgo revenue of \$5,017,000 in FY09-10 and \$10,645,100 in FY10-11. The local governments that choose to opt into the State

Employee Health Plan are responsible for a portion of the premiums for their employees. It is unknown how many local employees will be impacted by this surcharge but it is reasonably estimated that local governments participating in the State Employee Health Plan will forgo revenue collections of an amount exceeding \$1,000,000 each year.

- According to the Department of Finance and Administration, the anticipated revenue collected by the proposed surcharge will be used to fund benefits and as an incentive to assist enrollees to quit using tobacco products.
- According to the Department of Finance and Administration, an individual who uses tobacco products can incur greater health care costs than individuals who do not use tobacco products. It is estimated that the increased benefits and incentives provided by the State Insurance Committee to assist individuals to stop using tobacco products will result in a decrease in the amount of health care costs for these individuals in future years. The amount of savings in future years is dependent on several variables including, but not limited to, the monthly surcharge and is not quantifiable.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and a distinct "W".

James W. White, Executive Director

/kml